



Investment & Financing outlook

SME business investment and financing
outlook survey, wave XIII

July 2022



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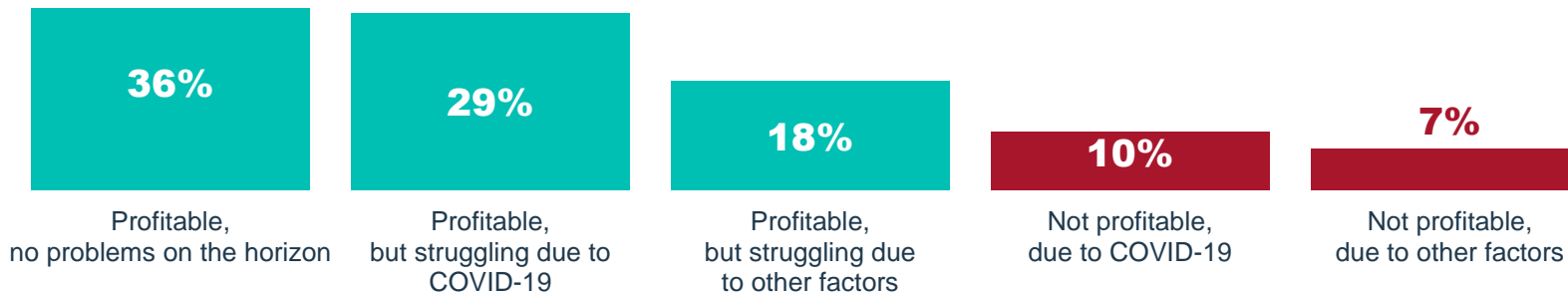


01.
Key highlights

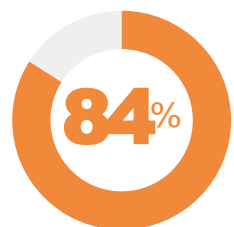
Key highlights: Profitability profile and investment intentions



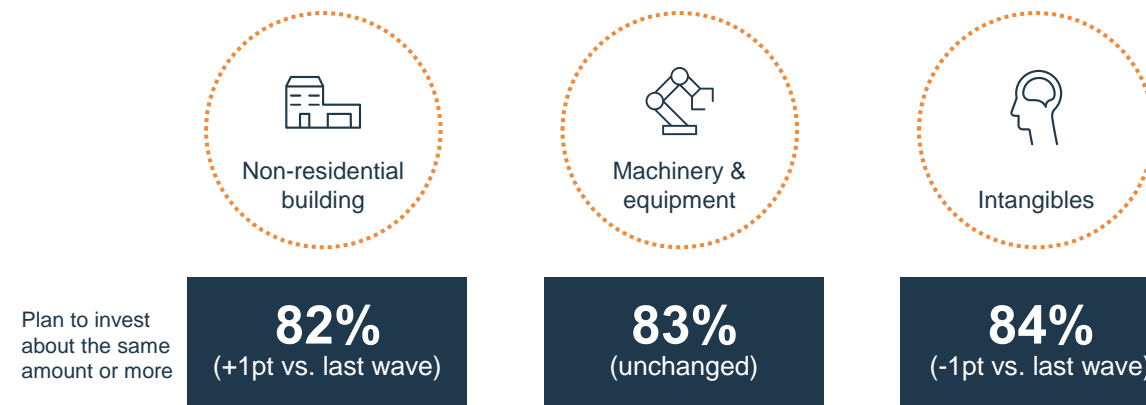
Profitability



Investments



Plan to invest about the same amount or more
(+1pt vs. last wave)

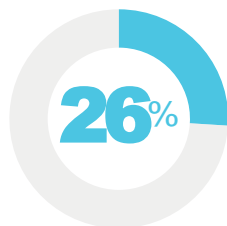


Plan to invest about the same amount or more

Key highlights: Financing intentions

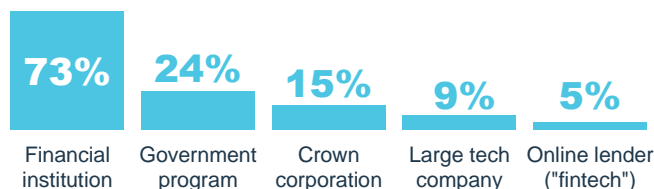


Requested financing



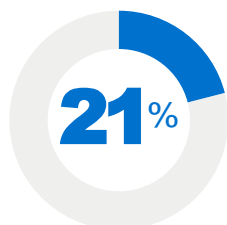
Requested financing in the last 3 months (+1pt vs. last wave)

Financing suppliers



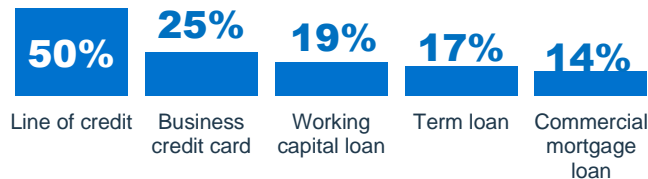
80%
Approval rate

Financing intentions



Plan to request financing (+2pts vs. last wave)

Financing solutions



52%
Easy to access

34%
Borrowing to cover expenses

Key highlights: Optimism



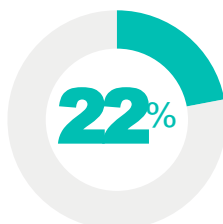
Economic expectations



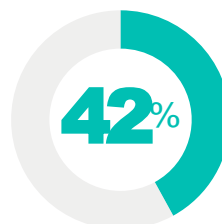
Sales expectations



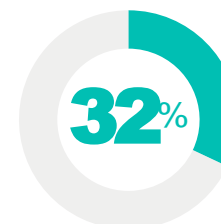
Cash flow expectations



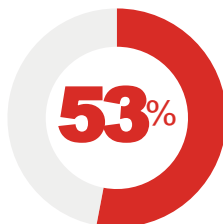
Better



Increase



Improve



Worse



Decrease



Deteriorate



02. **Methodology**



Methodology

Survey methodology

Online tracking survey.

Respondent profile

Business owners and business decision-makers from the AskingCanadians (Delvinia) panel.

Survey dates

July 4th to July 18th, 2022.

Margin of error

For a probability sample of 1,000 respondents, the maximum margin of error is ± 3.1 percentage points, 19 times out of 20. However, as this survey is based on a non-probability sample, this information is provided for reference only.

Data processing and analysis

Were performed by the BDC Research and Market Intelligence team.

Weighting factors

Results were weighted by region and number of employees to be representative of the Canadian SME population.

Note: Unless otherwise noted, the bases for calculation exclude respondents who chose not to answer the question. Other appropriate exclusions are detailed on the individual slides.



03. **Detailed results**



03a.

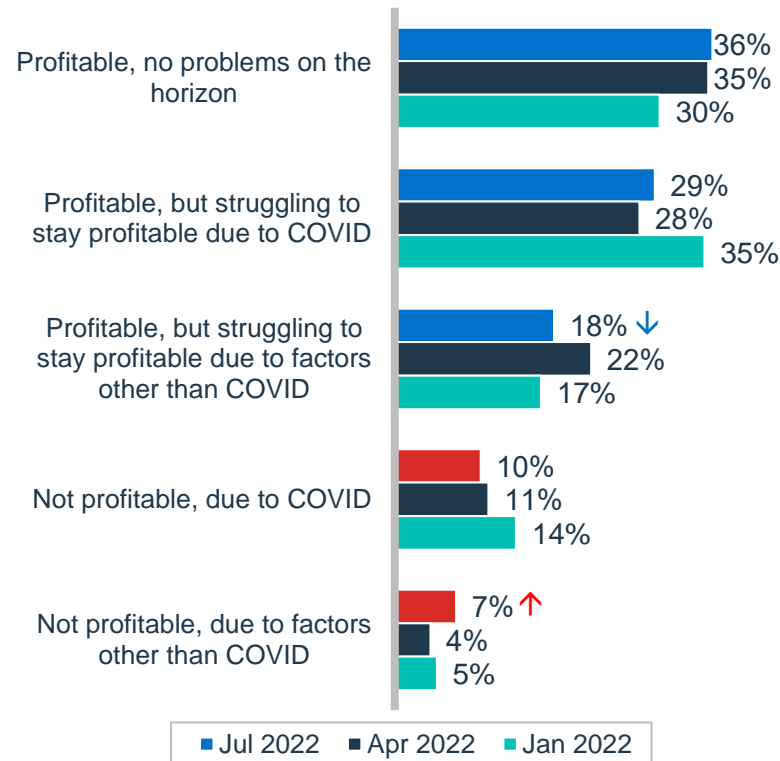
**SME current state
and expectations**



During the 7th wave of COVID-19, just over **four out of five SMEs** indicated being **profitable**. However, the **adverse effects** of the pandemic are still being **felt by more than one third of SMEs**.



Q4a. Which of the following situations best describes your **company's current situation**? Is it...

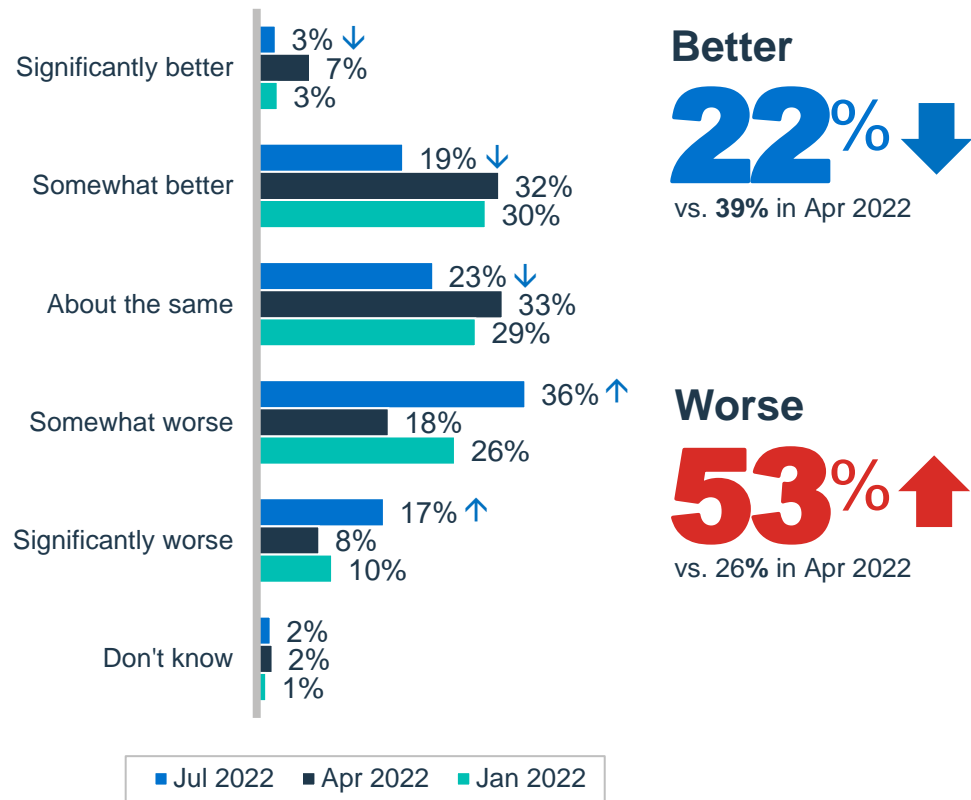


Base: All qualified respondents (n=961). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.


More than **half of business leaders** - twice as many as last wave - think that **economic conditions in Canada will worsen** in the next 12 months. Results have all significantly changed since April 2022.



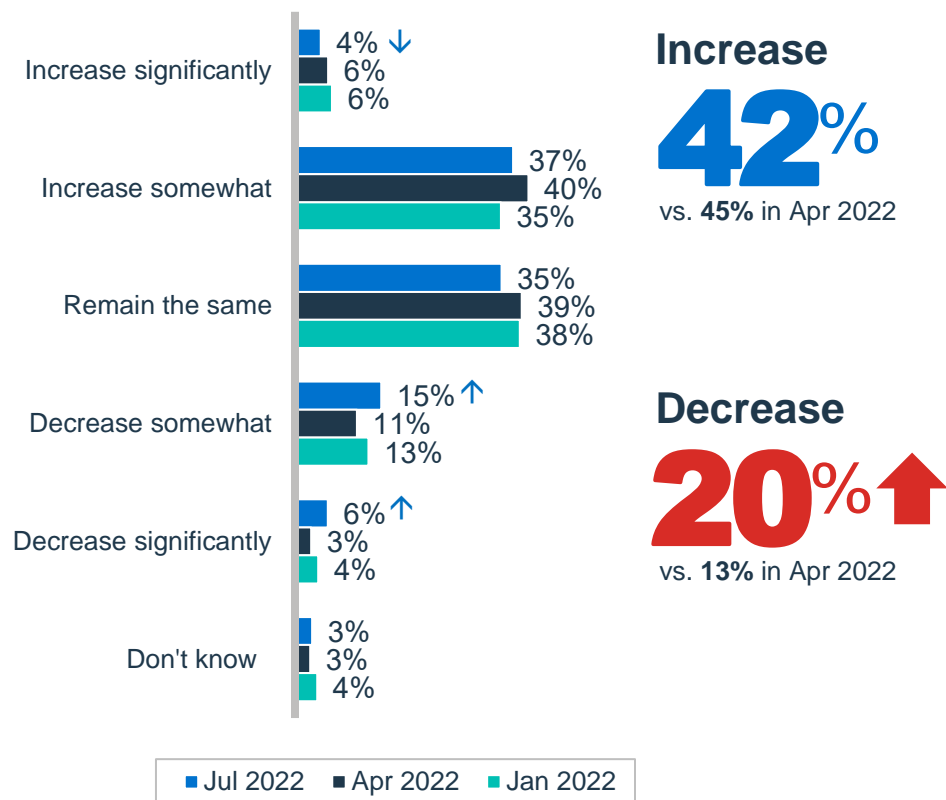
Q59. When you think about the next 12 months, do you expect the **economic conditions in Canada** to be better, the same, or worse than they were in the last 12 months?




Base: All qualified respondents (n=1,000). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

In the current context, one in five SMEs expect their **sales to decrease** in the coming year, while two out of five are more optimistic. Retailers and small firms seem more preoccupied than others. 

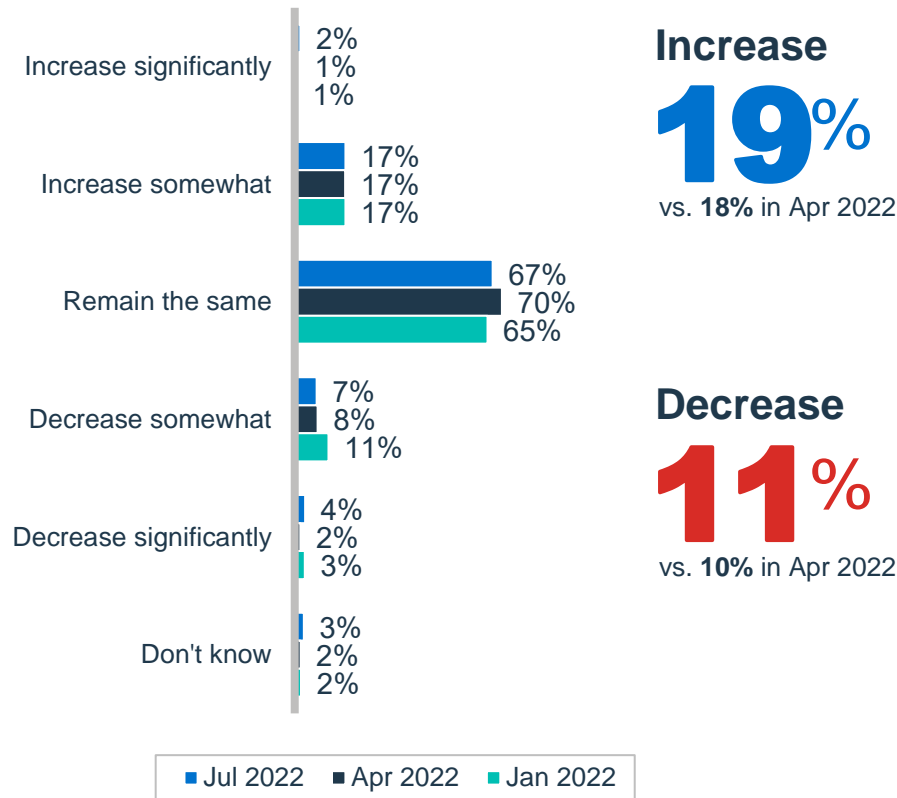
Q14. Over the next 12 months, do you expect your company's **total sales or revenue** to increase, remain the same, or decrease compared to the last 12 months?



Base: All qualified respondents (n=997). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

There are no significant changes in terms of **employee count**. **Two thirds think it will remain the same**, while nearly one out of five think it will increase. One out of ten SMEs is anticipating a decrease. 

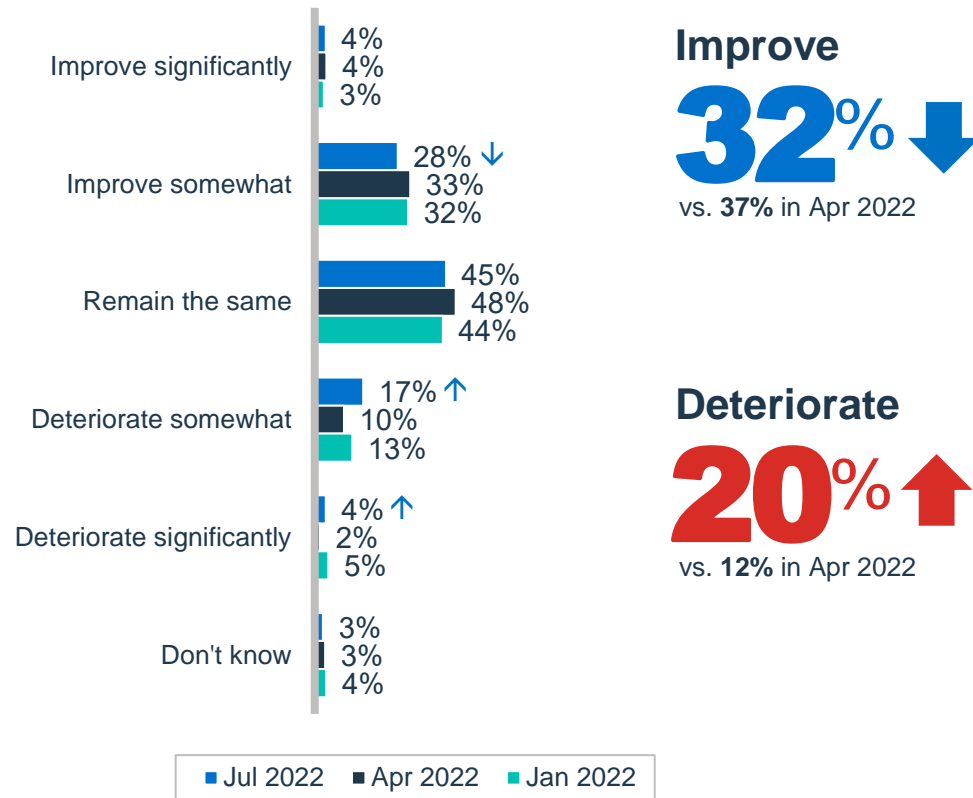
Q15. Over the next 12 months, do you expect your company's **number of employees** to increase, remain the same, or decrease compared to the last 12 months?



Base: All qualified respondents (n=997). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

A decreasing percentage of SMEs expect their cash flow situation to improve. While most see it remaining the same, there is a significant increase in the proportion who expect a deterioration. *

Q40. Over the next 12 months, do you expect your company's cash flow situation to improve, remain the same, or deteriorate compared to the last 12 months?

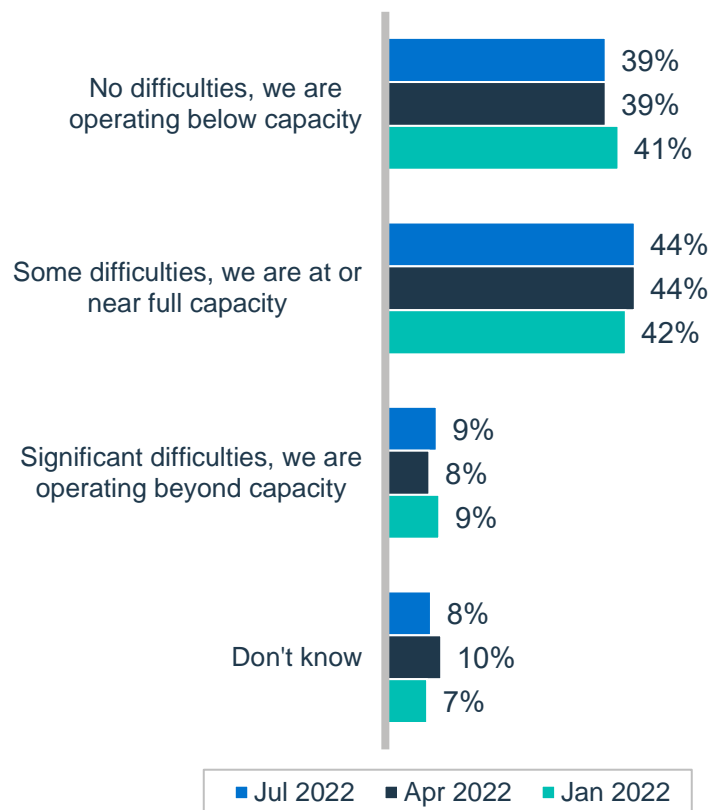


Base: All qualified respondents (n=996). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Two out of five SMEs are operating below capacity, especially micro-SMEs. A slightly greater proportion are at or near full capacity, while one in ten are operating beyond capacity.



Q16. How would you assess your company's current **ability to meet an unexpected increase in demand or sales**?

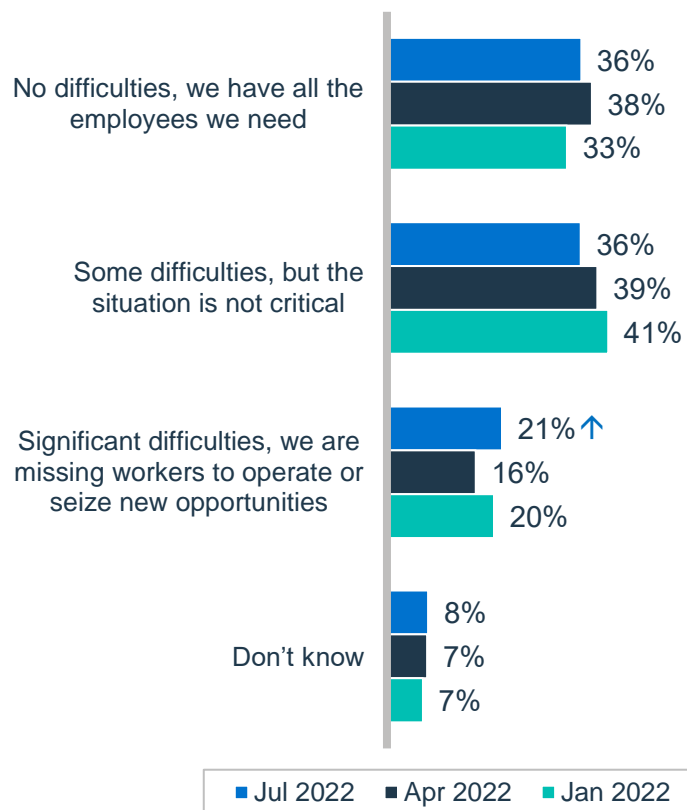


Base: All qualified respondents (n=990).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Difficulties related to hiring qualified workers are not widespread. They are more likely to be affecting SMEs with five or more employees and SMEs in Quebec.



Q42. How would you assess your company current **ability to hire qualified workers**?

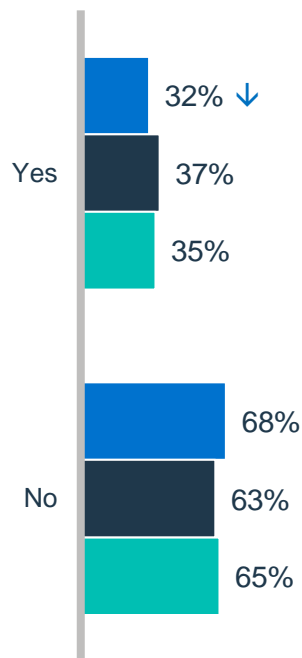


Base: All qualified respondents (n=988).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

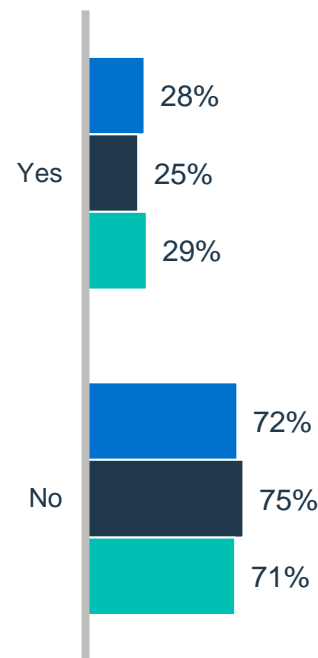
Although **results are quite similar** to the last wave, we see that **optimism is tamed** which may affect future growth projects. **Debt repayment** is once again **affecting more than one quarter** of SMEs.



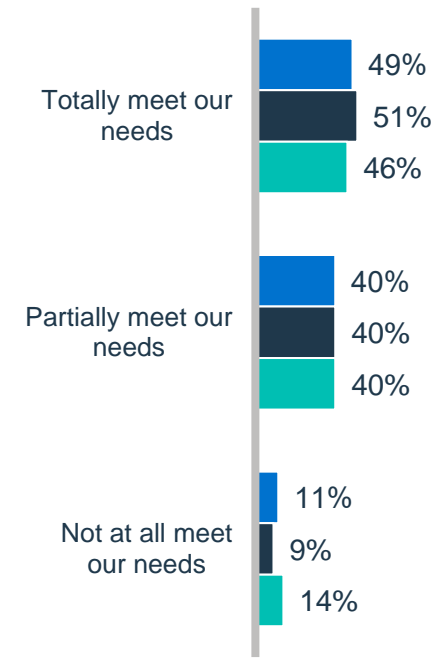
BA1. In the past or next 12 months, has your business used or will use **significant resources** for **growth projects**?



BA2. Does the **repayment** of your company's debts **limit its activities, growth or borrowing capacity**?



BA3. To what extent do the financial institution(s) you are currently dealing with **effectively meet** your **short-term financing needs**?



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Base: All respondents (n=1,000). Those who preferred not to answer at BA2 (n=941) and BA3 (n=928) were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.



03b. **Investment outlook**

The top investment goal continues to be about becoming more efficient or productive. Improving sales and marketing has bounced back up and adding new capacity increased significantly.



Q55. What are your main investment goals for the next 12 months? (*multiple answers allowed*)

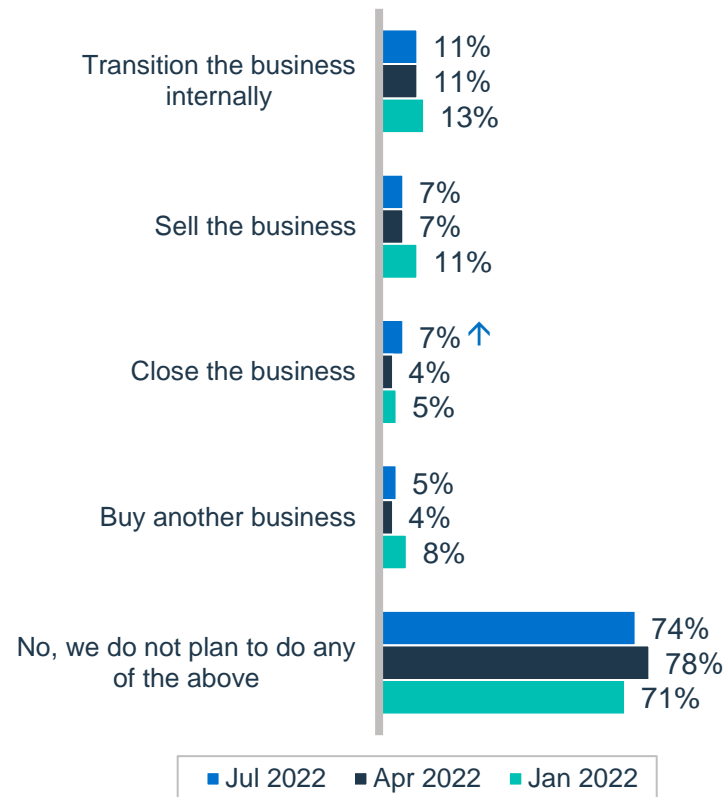


Base: Respondents planning to invest (n=510).
 Those who preferred not to answer were excluded from the calculation base.
 Multiple mentions were allowed, therefore total exceeds 100%.
 Arrows indicate statistical differences between this wave and the previous one.

While **three quarters** of SME leaders have **no plans** to transition, sell, buy or close the business, there is a **significant increase** in those seeking to **close the business**.



Q80. Over the next 12 months, do you **plan to pursue any of the following actions?**
(multiple answers allowed)

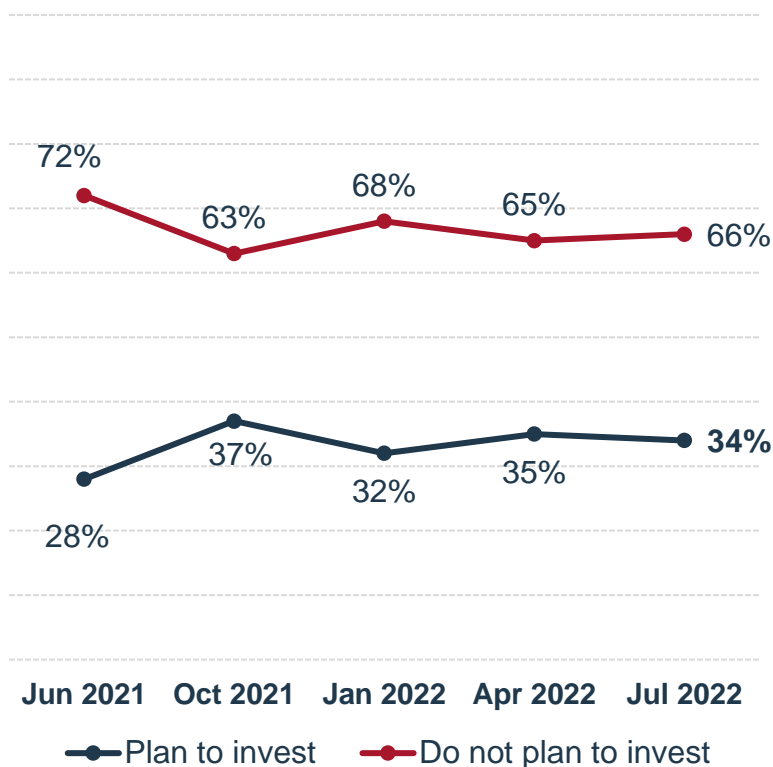


Base: All qualified respondents (n=904).
Those who did not know or preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Investment intentions in **non-residential building continue to remain relatively steady** despite recent increases in interest rates by the Bank of Canada.



Q57a. Investment intentions in **non-residential building, including renovations** over the next 12 months.

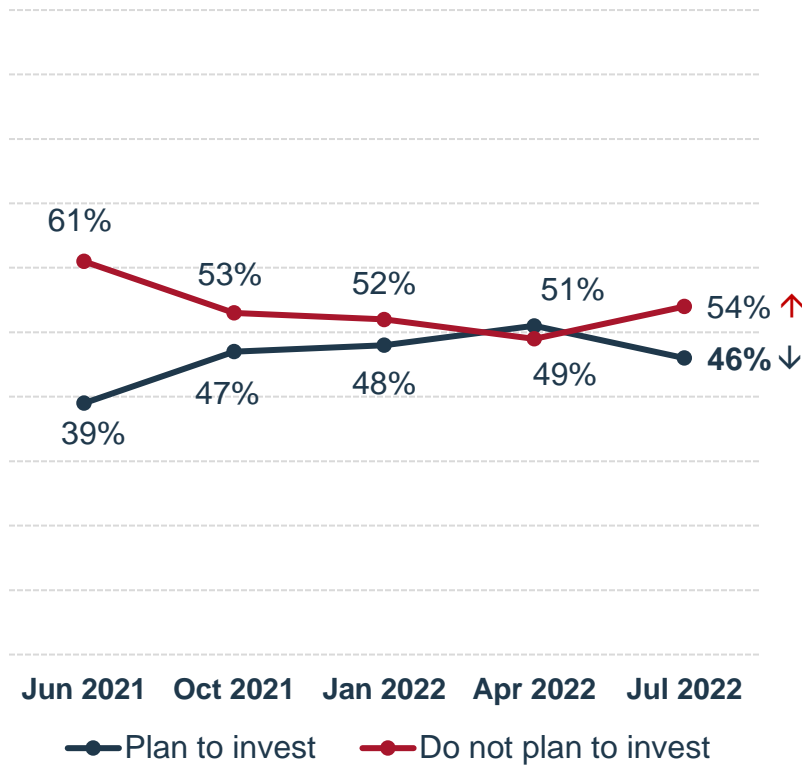


Base: All qualified respondents (n=893). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Investment intentions in **machinery and equipment** may have peaked for now. **Fewer than half plan to invest** in this category, but many of those borrowing plan to acquire machinery and equipment.



Q57b. Investment intentions in **machinery and equipment** over the next 12 months.

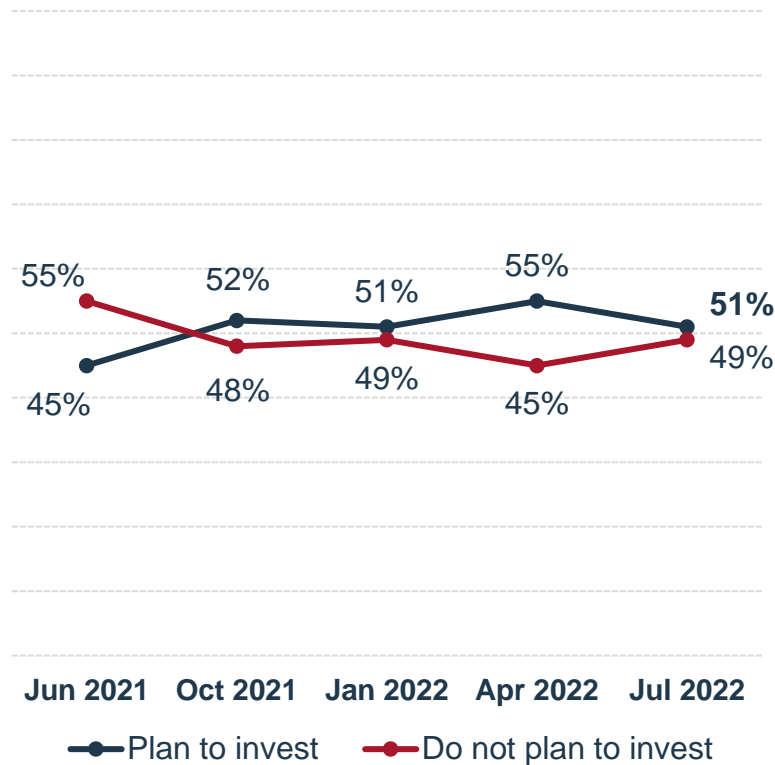


Base: All qualified respondents (n=885).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Intentions to invest in **intangibles** have **dipped** since the last wave, but the decrease is not statistically significant.



Q57c. Investment intentions in **software, IP protection, R&D, marketing, and employee training** over the next 12 months.

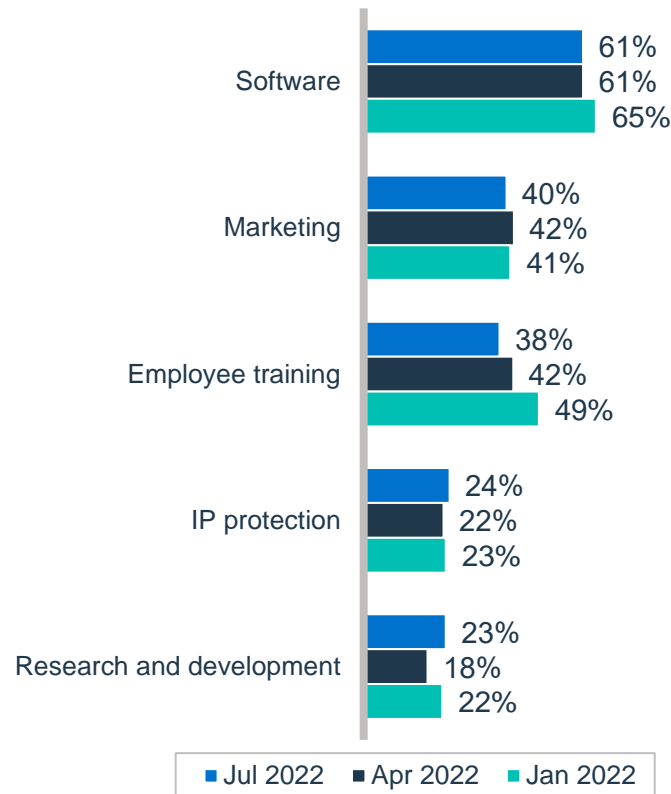


Base: All qualified respondents (n=873).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Among those planning to invest in intangible assets, intentions to invest in **software**, **marketing** and **employee training** remain the most popular, although employee training continues to decrease.



Q57d. Your company will invest in software, IP protection, R&D, marketing and employee training. More specifically, in which **category will you spend money?** (*multiple answers allowed*)

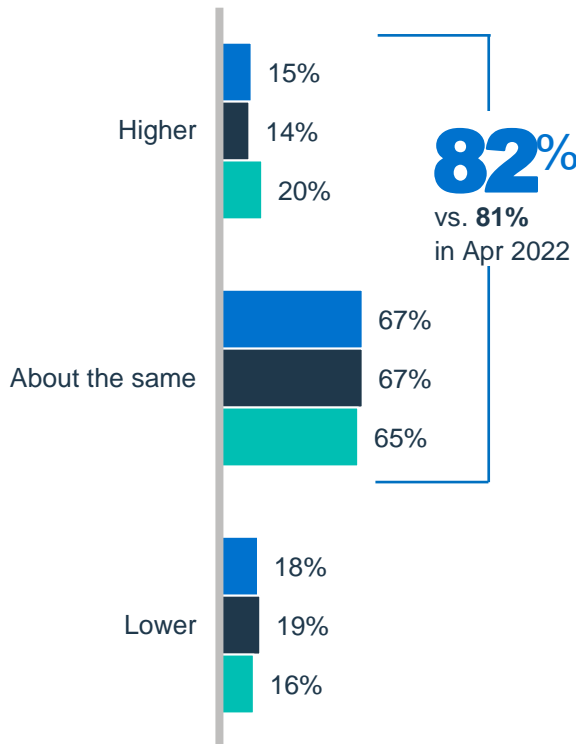


Base: All qualified respondents planning to invest in intangibles (n=417). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

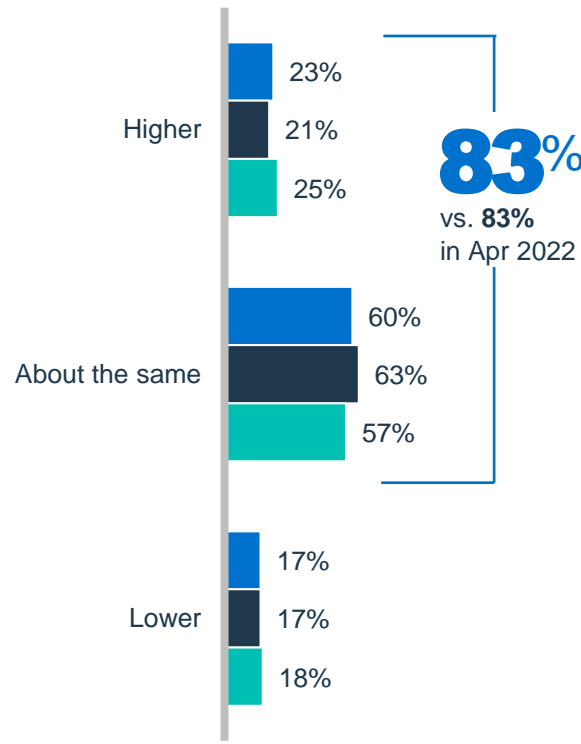
Investment comparison (plans for the next 12 months): The majority plan to invest about the same amount as last year despite economic uncertainties.



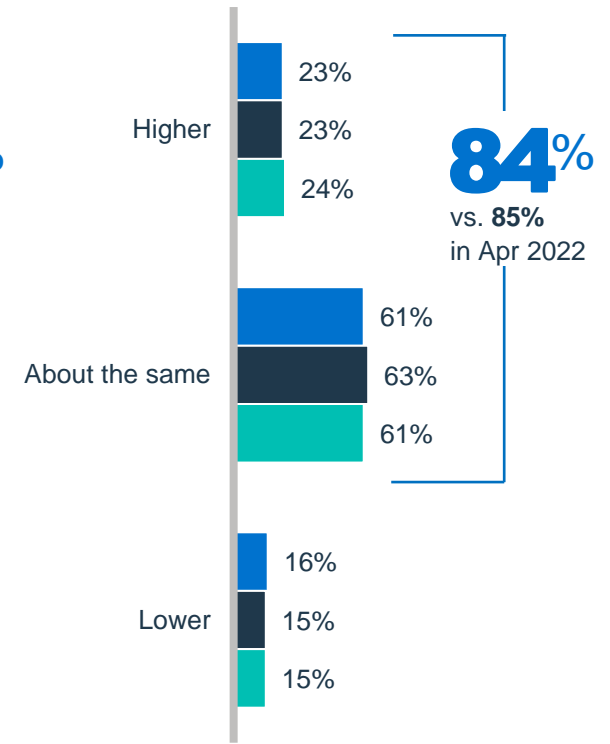
Q58a. Non-residential building, including renovations



Q58b. Machinery and equipment



Q58c. Software, IP protection, R&D, marketing, and employee training



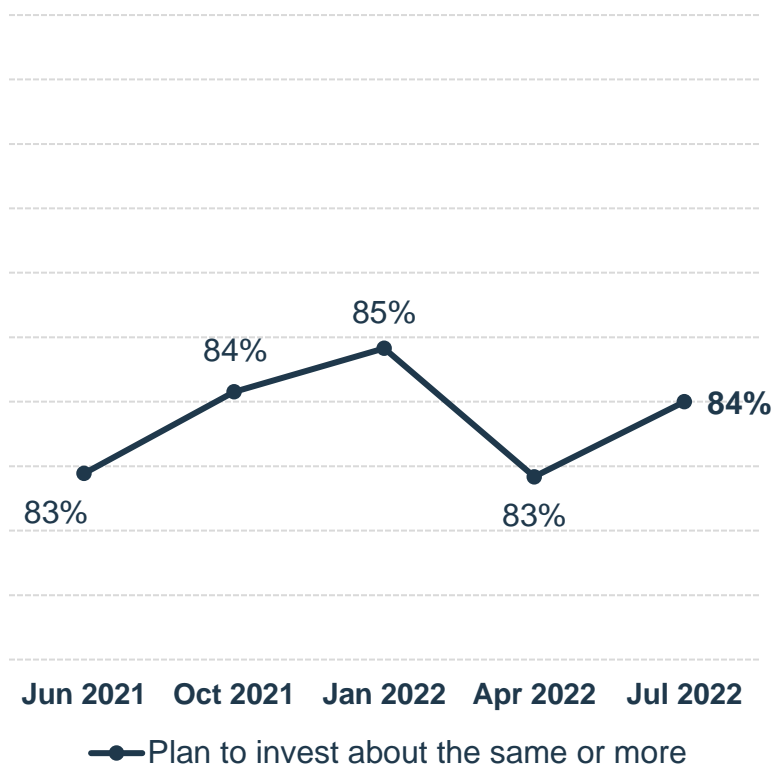
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Base: All qualified respondents (n=882-915). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Our indicator of **investment intentions** has remained relatively **stable** despite an uncertain economic environment and increasing interest rates.



Q58. Percentage of SMEs planning to invest “**about the same amount or more**”.
This variable is based on an aggregate average of investment intentions.

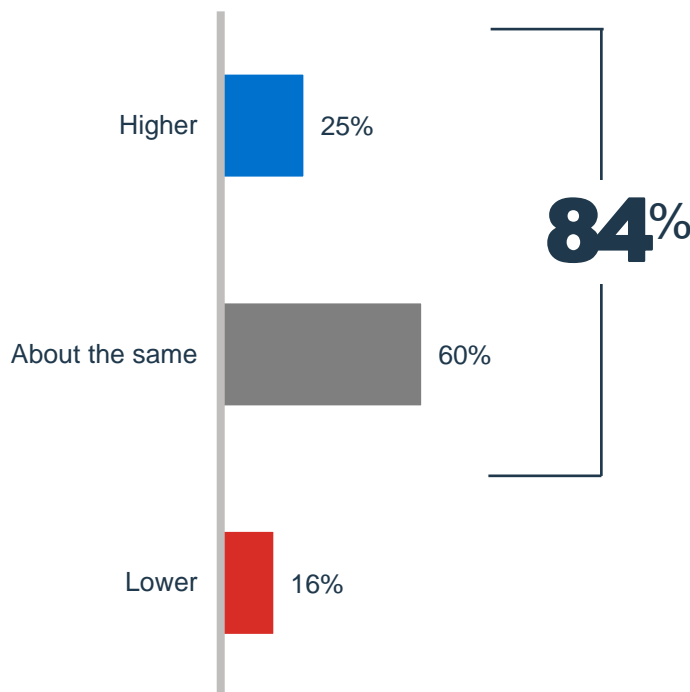


Base: All qualified respondents (n=933).
Those who preferred not to answer were excluded from the calculation base.

Entrepreneurs' perception of investment spending corresponds to our calculations, whereby more than **four out of five SMEs plan to invest about the same amount or more.**



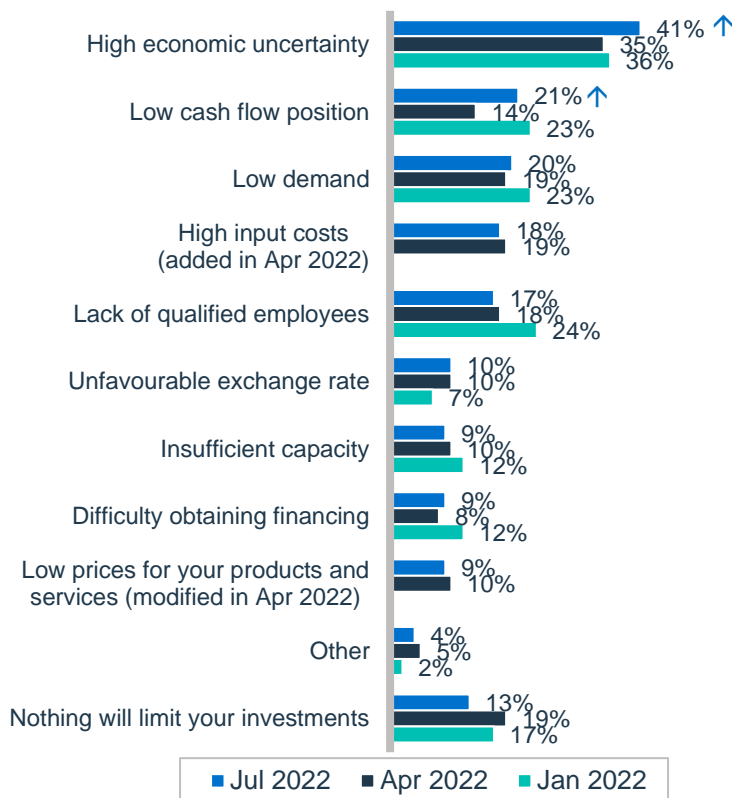
Q58b. Overall, over the next 12 months, what do you expect your company's **investment spending** to be compared to the last 12 months?



Two of the main factors that could limit business investment have increased significantly – high economic uncertainty and low cash flow position.



Q56. Which of the following factors are **most likely to limit** your investment spending in the next 12 months? *(multiple answers allowed)*



Base: All qualified respondents (n=899). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.



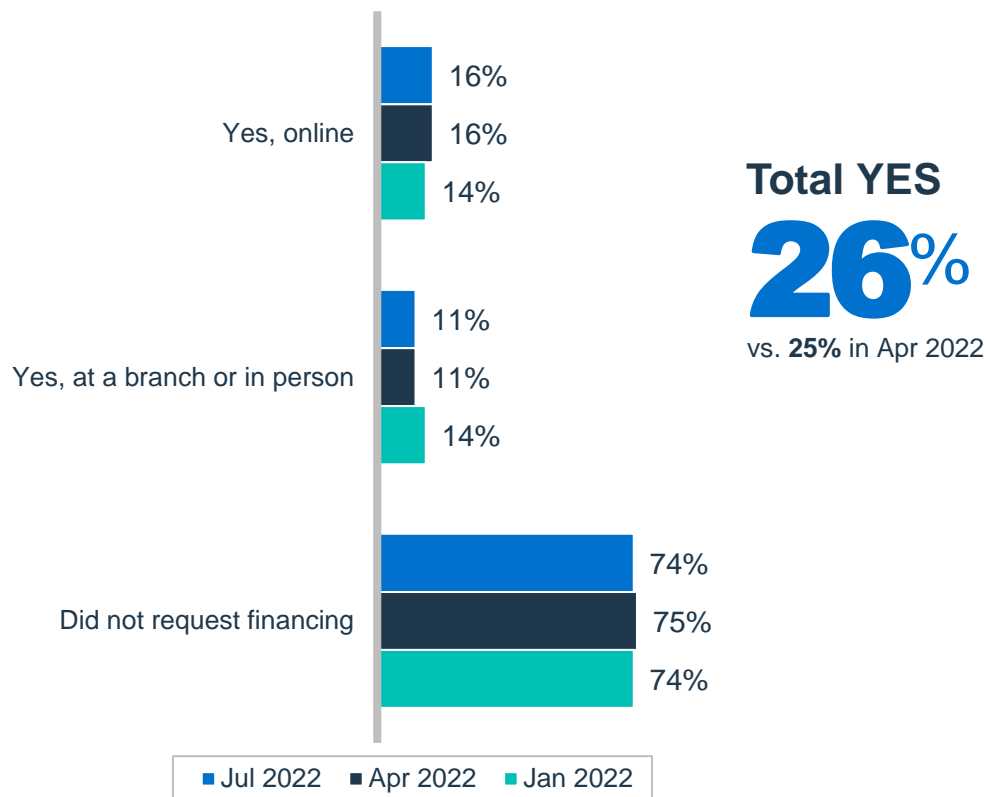
03c.

Financing supply

Financing **requests** have **remained relatively stable** since the beginning of the year, with about a quarter of companies making a request.



Q30. Over the **last 3 months**, has your company **requested financing**?

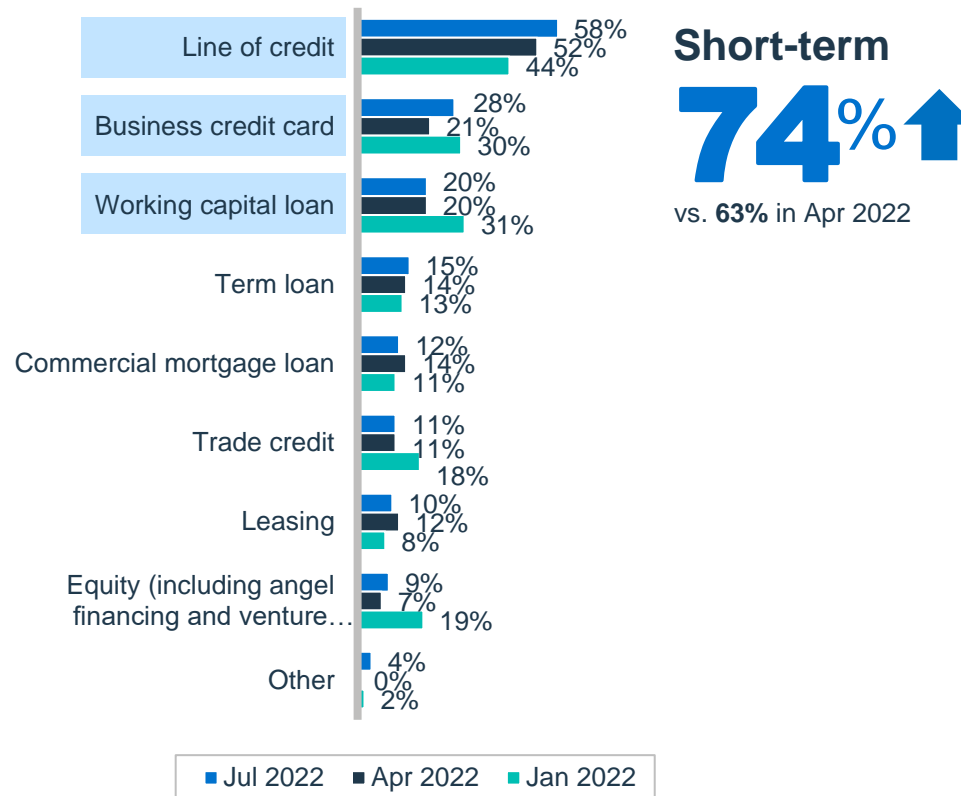


Base: All qualified respondents (n=951). Those who did not know were excluded from the calculation base.

Overall demand for short-term financing has increased significantly since the last wave. Lines of credit continue to be the most popular type of financing sought.



Q30a. What **type of financing** did you request?

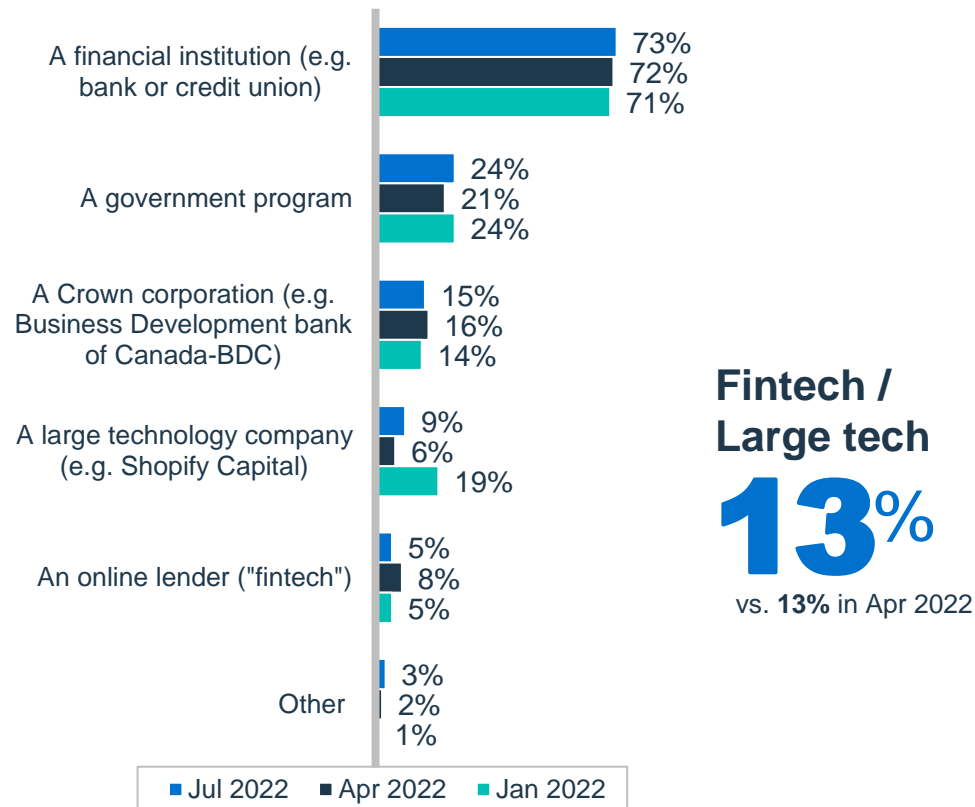


Base: Respondents who requested financing (n=307). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Short-term options are highlighted in blue in the graph. Arrows indicate statistical differences between this wave and the previous one.

SMEs continue to turn **predominantly to banks and credit unions** for financing.



Q30b. **Who** did you apply to for financing?

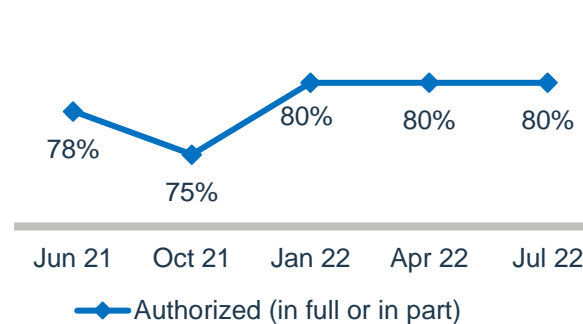
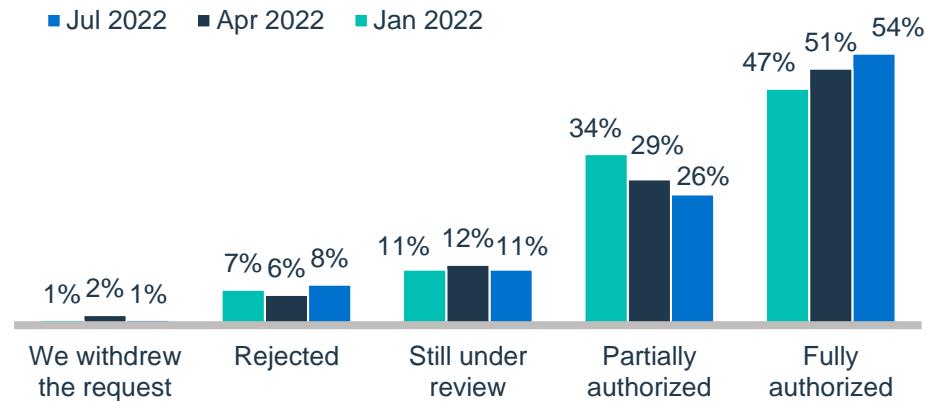


Base: Respondents who requested financing (n=304). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

The decrease in **partially authorized loans** is compensated by an **increase in fully authorized loans**, which keeps the overall **approval rate unchanged**.



Q31. What was the **outcome** of this financing request?



Approval rate:

80%

Base: Respondents who requested financing (n=304). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

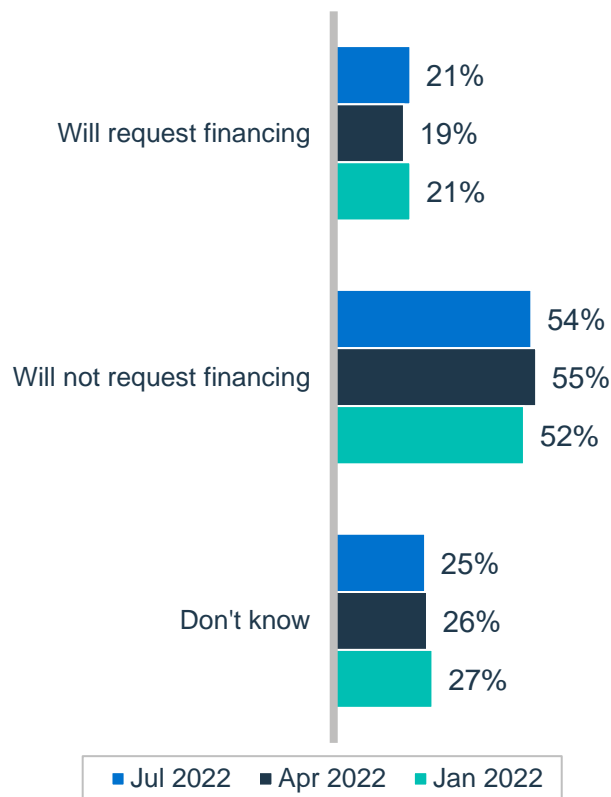


03d.
**Financing
demand**

No significant changes: Financing intentions are **relatively stable**. However, uncertainty remains among SMEs, with more than one quarter **not knowing** if they will request financing.



Q32. Over the **next 12 months**, is your company planning to **request financing**?

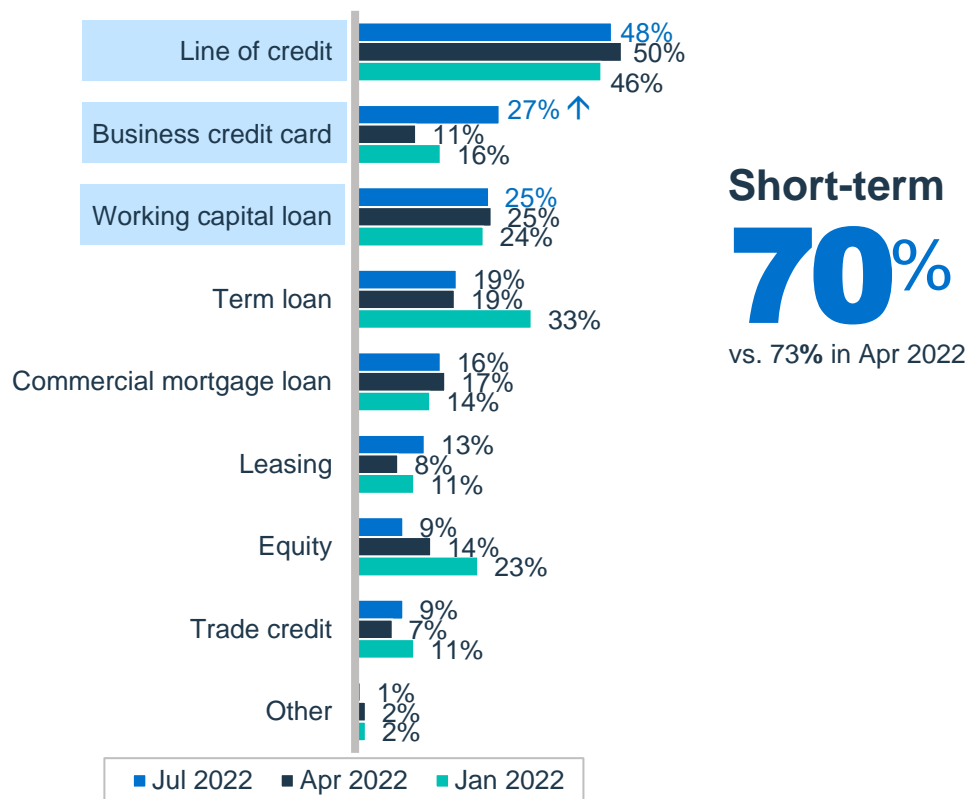


Base: All qualified respondents (n=988). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Most are **seeking short-term financing** mainly through lines of credit, business credit cards and working capital loans. Commercial mortgage opportunities are more prevalent among larger businesses.



Q33. What **type of financing** will you request?

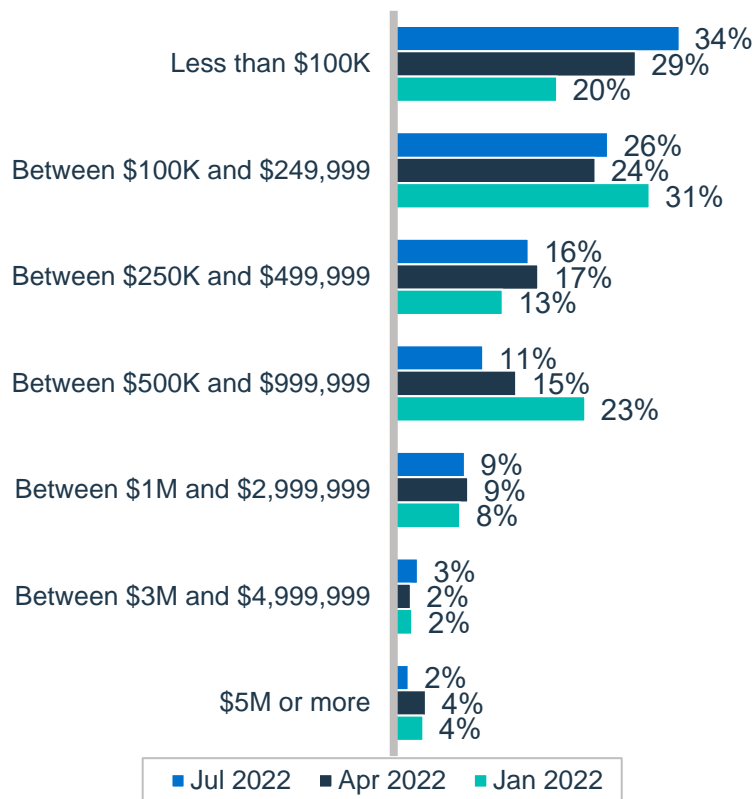


Base: Respondents who will request financing (n=249). Those who did not know are not presented in the graph. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed, therefore total exceeds 100%. Short-term options are highlighted in blue in the graph.

Three out of five SMEs are seeking up to \$250K. Just over one in ten business leaders indicated seeking a \$1M or more. Larger amounts are sought by larger, more mature firms.



Q34. Approximately, what is the **amount of financing** you are seeking?

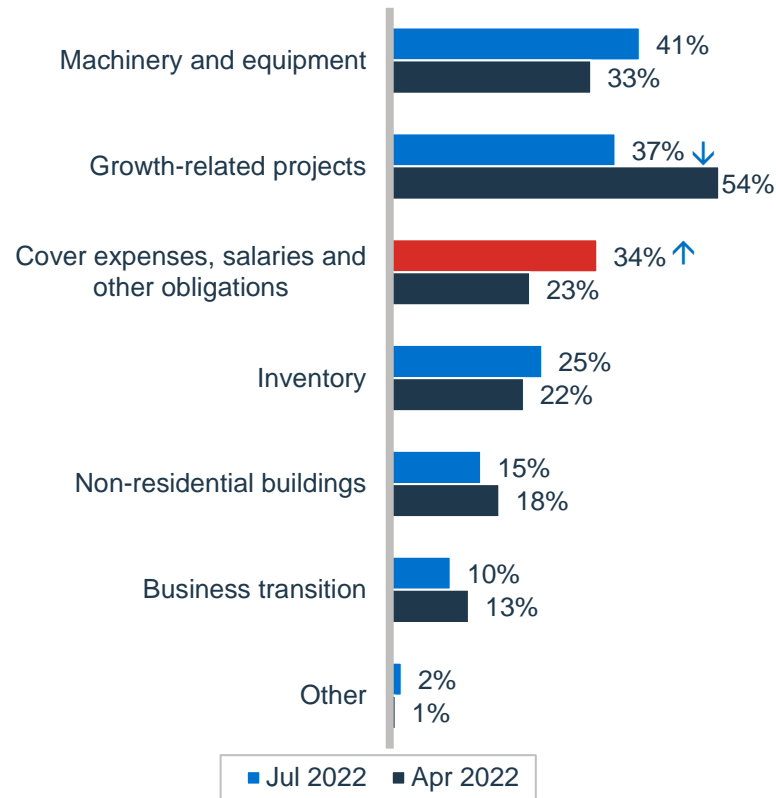


Base: Respondents who will request financing (n=245).
Arrows indicate statistical differences between this wave and the previous one.

Many entrepreneurs need **financing to acquire machinery and equipment**. Financing for growth-related projects is down, while we see a **significant increase in those borrowing to cover expenses**.



Q34b. What would this financing be **used for**?

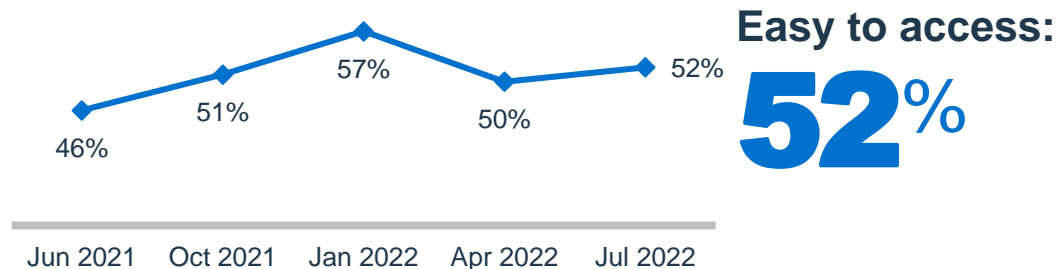
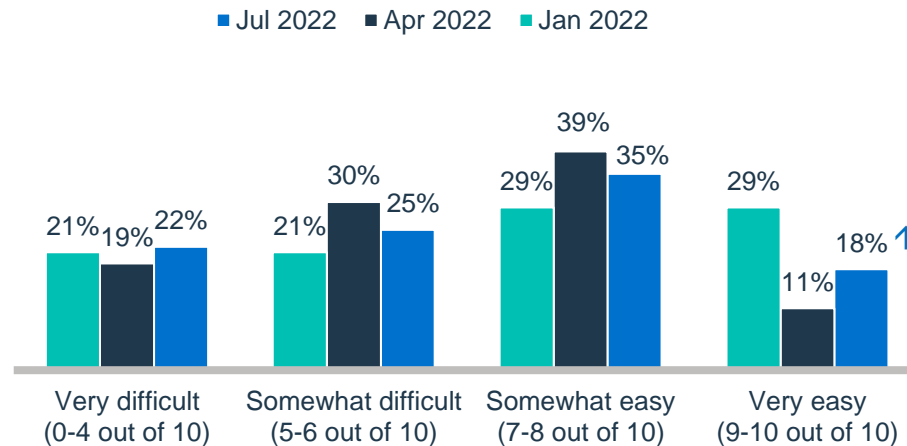


Base: Respondents that will request financing in the next 12 months (n=247). Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one. The respondent base was modified in April 2022. Those who did not know or preferred not to answer are not presented on this slide.

After a significant drop in April, the proportion who think **obtaining financing** will be **very ease has bounced back**, bringing the overall total for easy to more than half of SMEs.



Q35. How easy will it be to **obtain this financing**?

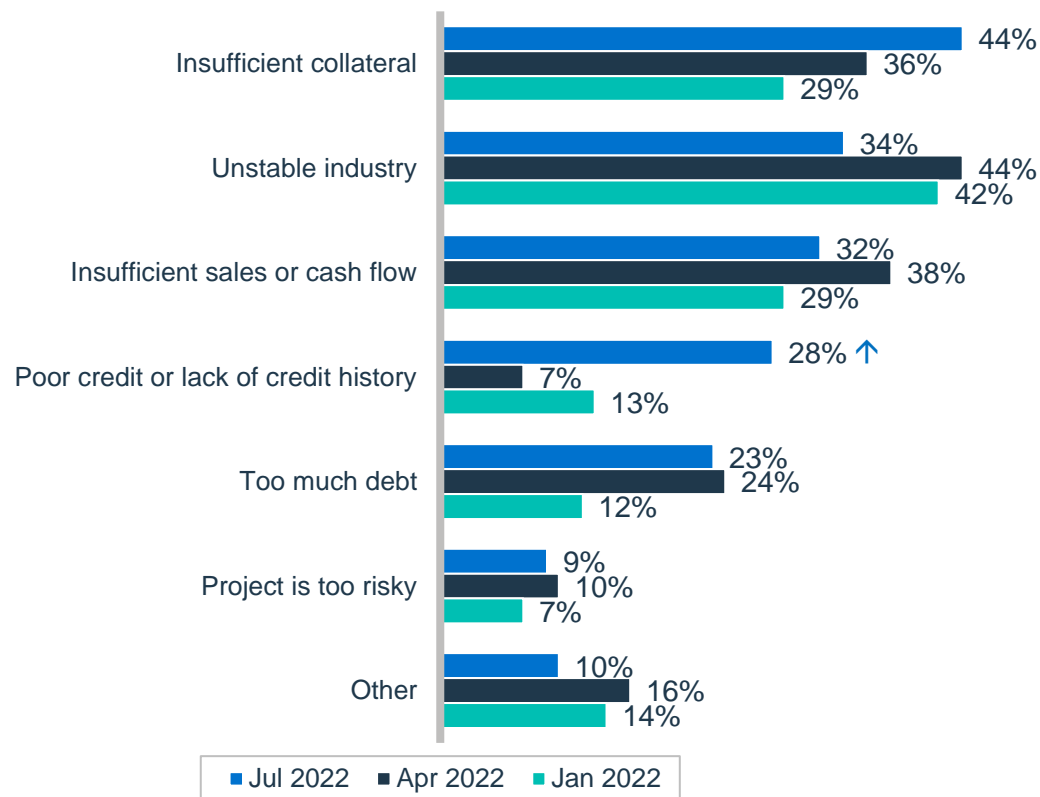


Base: Respondents who intend to request financing in the next 12 months (n=238). Those who did not know or refused to answer were removed from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Statistically significant differences between sub-groups are presented in terms of "Total easy" (scores of 7-10 out of 10) and "Total difficult" (scores of 0-6 out of 10).


Those who believe obtaining financing will be difficult, now mention **insufficient collateral as the main reason**. This is followed by unstable industry and insufficient sales. Poor credit has risen four folds.



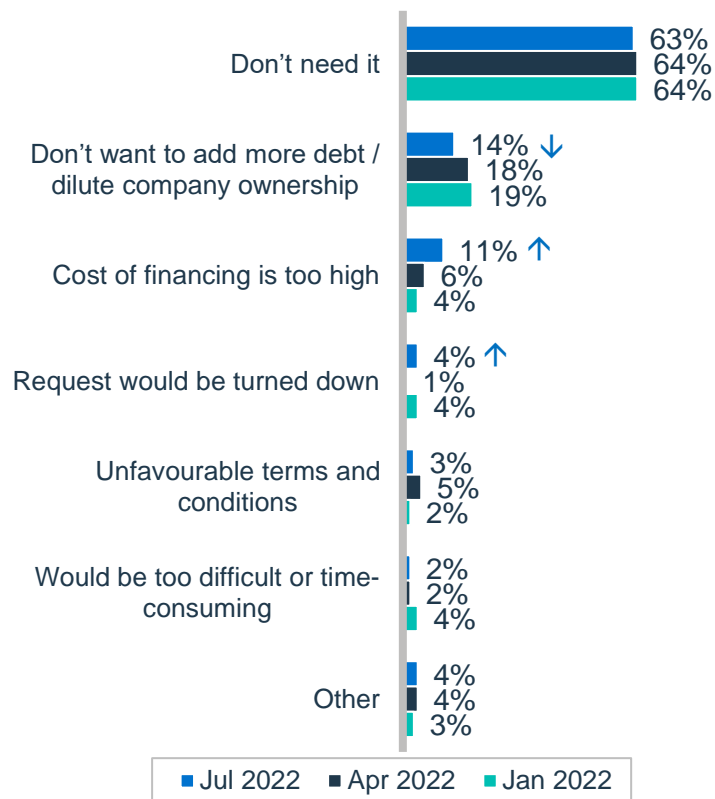
Q36. What makes you believe that it will be **difficult** to obtain financing for your company?
(multiple answers allowed)



Base: Respondents who believe it will be difficult to obtain financing (n=36). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one. We did not list statistically significant differences between sub-groups due to the small sample size.

While most are not requesting financing because they **do not need it**, more of them now mention that **the cost of financing is too high**. The belief that the **request would be rejected** has also increased. 

Q37. Why do you **not intend to request financing** over the next 12 months?

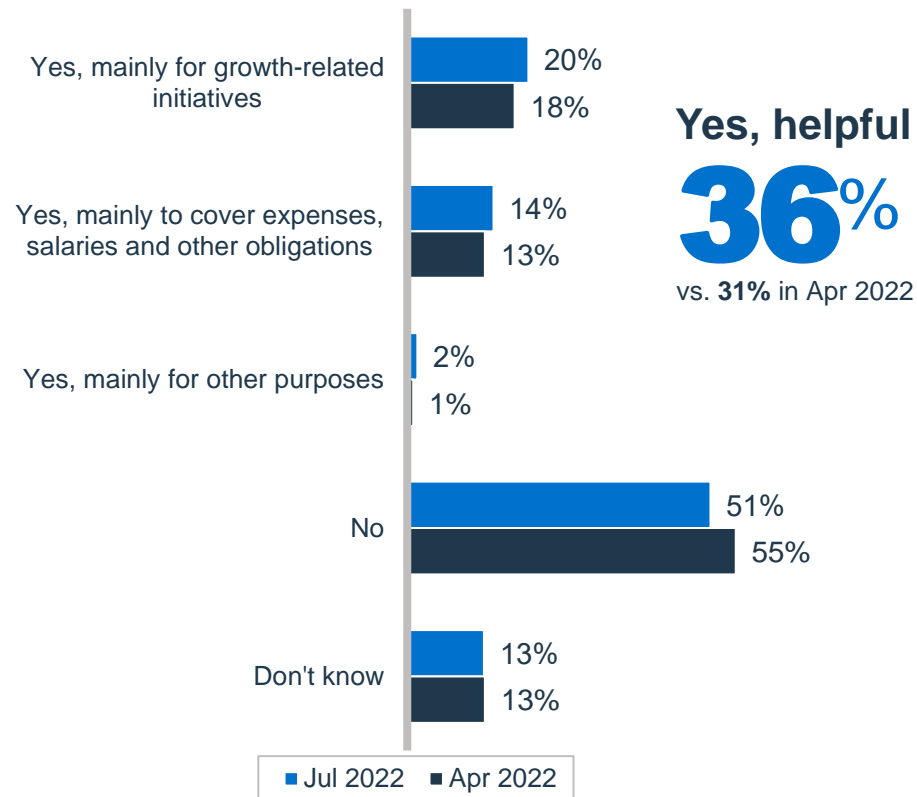


Base: Respondents who will not request financing in the next 12 months (n=680). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed, therefore total exceeds 100%.

More than one third of those who do not plan to request financing in the next year said that it would have been helpful for the company to obtain financing.



Q37b. Would it be **helpful** for your company to **obtain financing** over the next 12 months?



Base: Respondents who will not request financing in the next 12 months (n=733). Those who did not know or preferred not to answer were excluded from the calculation base. This question was added in April 2022.

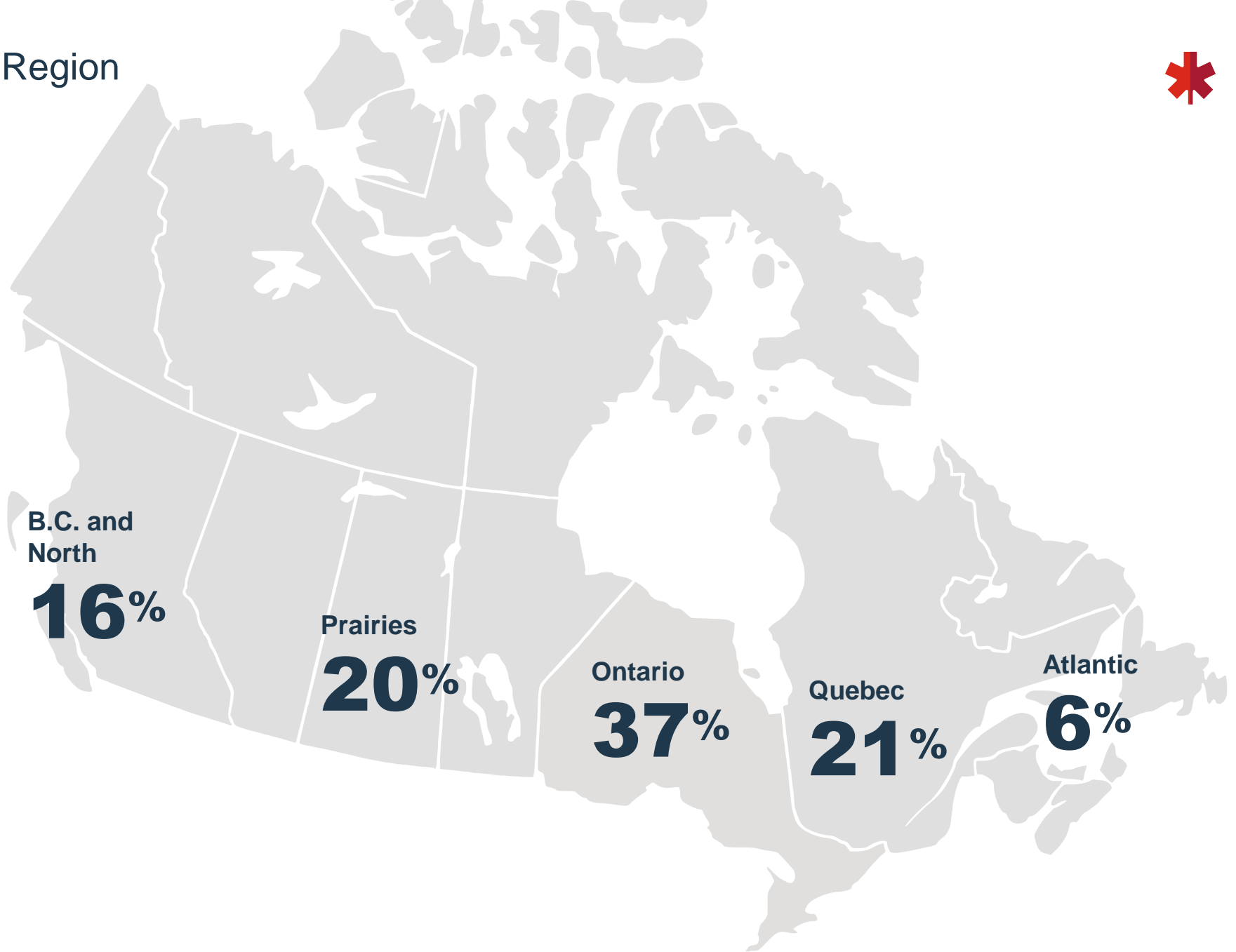


04.

Respondent profile



Region

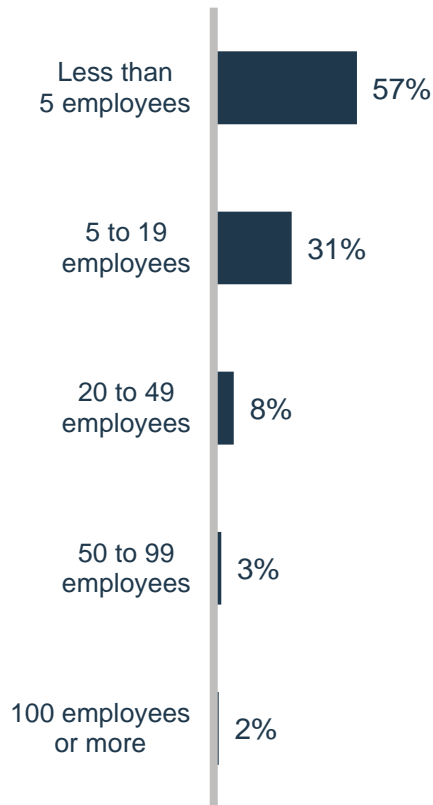


Base: All respondents (n=1,000).

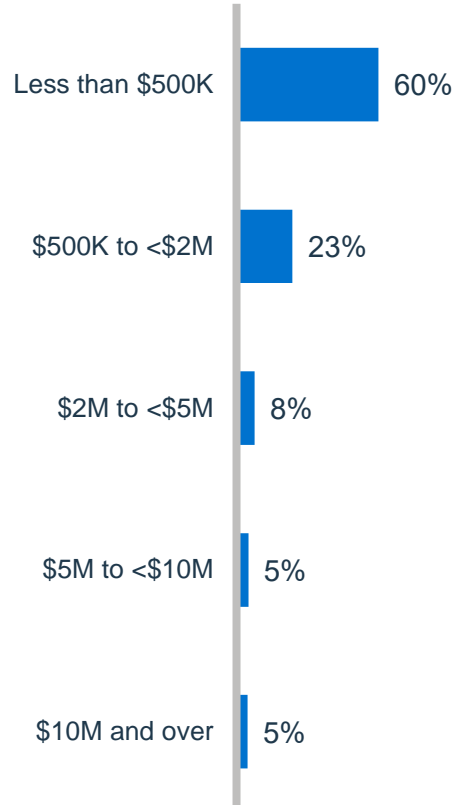
Number of employees, annual sales and gender ownership



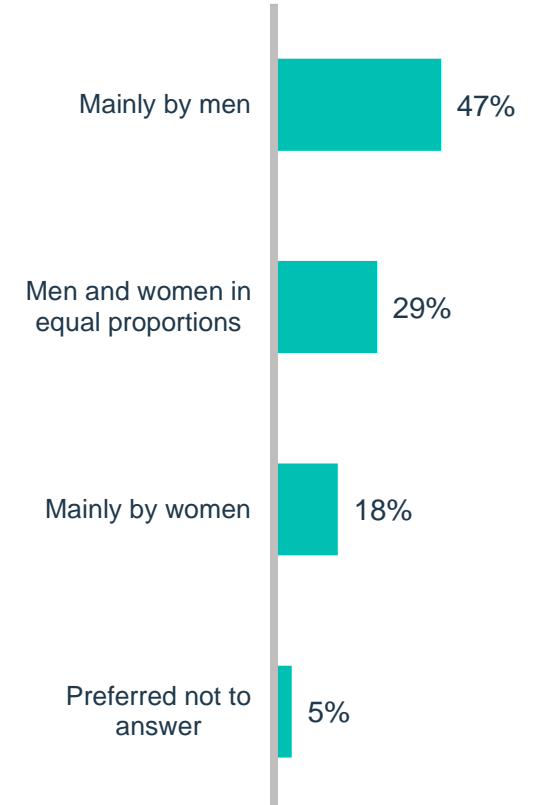
Number of employees



Annual sales



Gender ownership



Business revenue growth, diversity groups and sector of activity



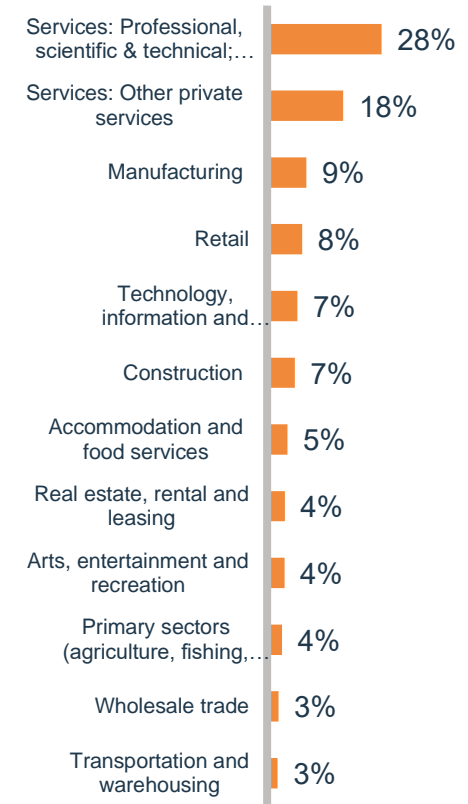
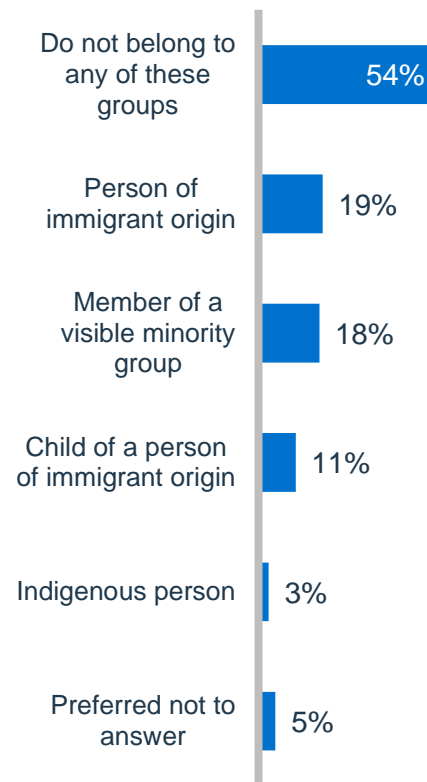
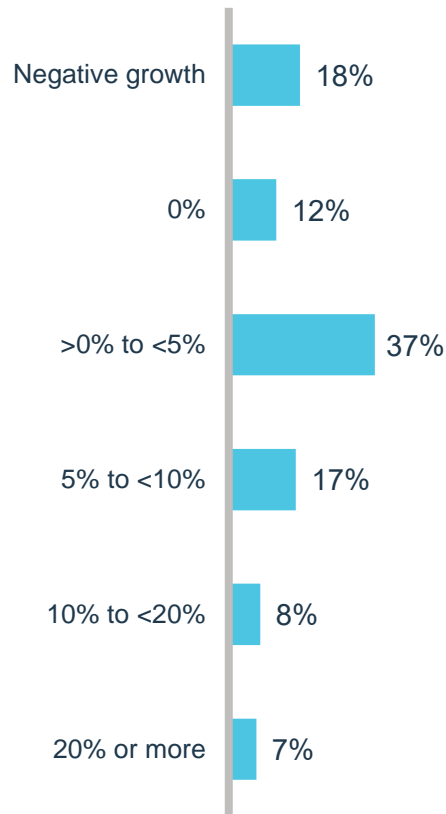
Revenue growth



Diversity groups



Sector of activity



Base: For revenue growth = Respondents for which company existed last year (n=949). For diversity groups = All respondents (n=1,057). For sectors = All respondents (n=1,033). Those who did not know or preferred not to answer were excluded from the calculation base.



Thank you.

Research and Market Intelligence

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